



Connecticut Association for Human Services
110 Bartholomew Avenue
Suite 4030
Hartford, Connecticut 06106

Casey McGuane, President
James P. Horan, Executive Director
860.951.2212 860.951.6511 fax
www.cahs.org

TESTIMONY BEFORE THE LABOR COMMITTEE CONCERNING THE PROPOSED MINIMUM WAGE INCREASE IN CONNECTICUT

Good evening, Senator Osten, Rep. Tercyak and members of the Labor Committee. I am Roger Senserrich, Policy Coordinator at the Connecticut Association for Human Services. CAHS works to reduce poverty and promote economic success both through policy and program work.

Governor Malloy proposed February 4th something we believe will greatly improve the lives of many people in the state: to raise the state's minimum wage to \$10.10 an hour by January 1 2017. CAHS wants to express our strong support for this change.

The minimum wage increase passed by the General Assembly last year was a first solid step in the right direction. More than 70,000 workers are paid the minimum wage in the state; the increase is calculated to improve the earnings of at least 200,000 employees across the state, including workers who earn close to the minimum wage. The effects of this raise extend beyond these workers. A recent study from the Economic Policy Institute estimated a positive GDP impact of more than \$140 million, as the new income boosts consumption on Main Street.

Governor Malloy's proposal will further improve these figures from last year's increase, and produce a further boost to the economy.

Raising the minimum wage is good policy. In a recent survey of economists conducted by the IGM Forum and the Chicago School of Businesses¹, 62% of those polled either agreed or strongly agreed that the benefits of raising the federal minimum wage outweighed the possible downsides. The survey also stated that the evidence on employment levels was at least mixed.

In a recent literature review, Arin Dube, economics professor at UMass Amherst, finds² that increases in the minimum wage have a direct and positive effect reducing poverty levels. According to his own findings, a 10% increase in the minimum wage results in a 2.4% reduction in poverty. The average reduction among all studies is 1.5% drop for every 10% increase in the

¹ http://www.igmchicago.org/igm-economic-experts-panel/poll-results?SurveyID=SV_br0IEq5a9E77NMV

Dube, Arindrajit (2013) "Minimum Wages and the Distribution of Family Incomes", NBER Working Paper no.6536.

minimum wage. The Governor's proposal will lift between 50,000 and 100,000 individuals out of poverty in Connecticut, according to these estimates. This increase in wages will also increase the number of families that become self sufficient, and reduce the number of companies that rely on their employees applying for public benefits in Connecticut.

Any increase in the minimum wage raises concerns about employment levels, as the increased salaries might push some business to lay off workers. The evidence, in this case, largely points in the opposite direction. Most studies, including those of adjoining states with different minimum wages, show that minimum wage increases do not increase unemployment. Economists, using state-by-state comparisons, have repeatedly found that raises have no apparent effect on the amount of people employed³.

While the Governor's proposal represents a huge step forward for working families in Connecticut, final action by the General Assembly should include two additional elements.

First, the minimum wage should be indexed to inflation after 2017, to ensure that the purchasing power of Connecticut families does not erode in subsequent years. This will avoid the steady drop of the minimum wage in real terms low income families have seen during the past decade. In addition, indexing will create a predictable pattern of increases, eliminating uncertainty for employers and avoiding spikes above the rate of inflation.

Second, any increase of the minimum wage should be accompanied by a comparable increase for tipped workers. Connecticut has 26,000 waitresses and waiters (and thousands of hotel workers) who fall below the lower tipped minimum wage of \$5.69 an hour. Last year's minimum wage increase did not raise the minimum wage for these workers. As a result, their salaries have fallen further behind the rest of the workforce. As a large majority of workers in these occupations are women, this omission further erodes gender pay equity. Any bill to raise the minimum wage should align tipped minimum wages to a fixed percentage of the general rate, and also be indexed for inflation.

Concluding, an increase of the minimum wage will help thousands of low income families in Connecticut, giving a boost to our economy without adversely affecting growth or employment. Thank you for hearing our concerns this evening.

³ See, e.g., Dube et al., "Minimum Wage Effects across State Borders: Estimating Using Contiguous Counties," *Review of Economics and Statistics*, 92(4), 945-64, 2010.